



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS ELECTRONIC SYSTEMS CENTER (AFMC)
HANSCOM AIR FORCE BASE MASSACHUSETTS



U.S. AIR FORCE

JUN 11 2006

MEMORANDUM FOR (SEE DISTRIBUTION)

FROM: ESC/CC

SUBJECT: AFPEO/C2&CS Award Fee Policy – Standardization of Award Fee Rating Criteria and Percentages

Ref: (1) AFPEO/C2CS Award Fee Plan Guidance, dated 16 July 2005
(2) OSD (AT&L) Memorandum "Award Fee Contracts", dated 29 March 2006
(3) Secretary of the Air Force Memorandum "Contract Incentives", dated 4 April 2006

In performance of my duties as Fee Determining Official (FDO) for numerous PEO/C2CS programs, I have noticed significant variations in Award Fee Plan nomenclature and pool percentages. The effects of these variations have been twofold: first, the constraints of each Award Fee Plan result in inconsistent ratings and pool percentages from one contract to the next—e.g. Very Good for one contractor is 75%-100%, and for another 80-89%; second, I am forced to use rating categories whose basic definitions are inconsistent with Award Fee percentages assigned—e.g. a rating of Very Good aligned with 50 - 75% Award Fee for CPAF with base fee.

To remedy these inconsistencies, I have decided to standardize nomenclature for basic rating categories to the CPARS ratings (see attachment) and apply standard Award Fee percentages for contracts without Base Fee and other types of Award Fee contracts. Any Marginal CPARS rating should correlate to a low range Satisfactory in the Award Fee Pool. In addition, I have added to the nomenclature an "Outstanding" rating, reserved for the highest percentages in the Award Fee Pool, 98-100%. Effective immediately, PEO/C2CS programs establishing Award Fee type contracts will use the following ratings and percentages:

Rating	Range of Rating Points	A.F. Percentage All Award Fee Types
Outstanding	98 - 100	98 – 100%
Exceptional	90 - 97	90 – 97%
Very Good	80 - 89	80 – 89%
Sat	70 - 79	0 – 79%
UnSat	0 - 69	0%

It is noted that although ratings will have common nomenclature and subjective definitions with respect to CPARS, the stated criteria which result in each rating should be tailored to be objective and event-based to the maximum extent practical, per my July 2005 guidance. It is further noted that Award Fee contracts with base fee are not normally entitled to any additional fee for Satisfactory performance. The FDO reserves the right, as part of his or her sole discretion with regard to award fee decisions, to award the contractor some fee in exceptional

circumstances concerning Satisfactory performance, when the contractor may not be entitled to fee under the above criteria.

For programs with existing Award Fee contracts, I strongly encourage you to revise your Award Fee Plans with consideration of the references above and re-baseline your ratings to the above table for all future award fee periods. I expect FDOs to conduct a review of Award Fee Plans in conjunction with each Award Fee determination to assess whether and how to update Award Fee Plans per this policy letter and the guidance and policies in the referenced memoranda.

My process owner for this ESC policy is Mr. Paul Commeau, ESC/AE, ext. 3-5852.



CHARLES L. JOHNSON II
Lieutenant General, USAF
Program Executive Officer for C2 & CS

Attachment:

Excerpt from CPARS rating guide – CPARS Evaluation Ratings Definitions

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551 ELSW/CC
350 ELSW/CC
653 ELSW/CL
554 ELSW/CL
CPSG/CC
38 EIG/CC
ESC/AE
ESC/EN
ESC/FM
ESC/JA
ESC/PK
ESC/XP

cc:

SAF/AQ
SAF/AQX
SAF/ACE
SAF/AQCP
AFMC/CV
AFMC/A5Q
AFMC/PK

Rating	Definition	Note
Dark Blue/ Exceptional	Performance meets contractual requirements and exceeds many to the Government's benefit. The contractual performance of the element or sub-element being assessed was accomplished with few minor problems for which corrective actions taken by the contractor was highly effective.	To justify an Exceptional rating, identify multiple significant events and state how they were of benefit to the Government. A singular benefit, however, could be of such magnitude that it alone constitutes an Exceptional rating. Also, there should have been NO significant weaknesses identified.
Purple/Very Good	Performance meets contractual requirements and exceeds some to the Government's benefit. The contractual performance of the element or sub-element being assessed was accomplished with some minor problems for which corrective actions taken by the contractor was effective.	To justify a Very Good rating, identify a significant event and state how it was a benefit to the Government. There should have been no significant weaknesses identified.
Green/ Satisfactory	Performance meets contractual requirements. The contractual performance of the element or sub-element contains some minor problems for which corrective actions taken by the contractor appear or were satisfactory.	To justify a Satisfactory rating, there should have been only minor problems, or major problems the contractor recovered from without impact to the contract. There should have been NO significant weaknesses identified. Per DOD policy, a fundamental principle of assigning ratings is that contractors will not be assessed a rating lower than Satisfactory solely for not performing beyond the requirements of the contract.
Yellow/ Marginal	Performance does not meet some contractual requirements. The contractual performance of the element or sub-element being assessed reflects a serious problem for which the contractor has not yet identified corrective actions. The contractor's proposed actions appear only marginally effective or were not fully implemented.	To justify Marginal performance, identify a significant event in each category that the contractor had trouble overcoming and state how it impacted the Government. A Marginal rating should be supported by referencing the management tool that notified the contractor of the contractual deficiency (e.g., management, quality, safety, or environmental deficiency report or letter).
Red/ Unsatisfactory	Performance does not meet most contractual requirements and recovery is not likely in a timely manner. The contractual performance of the element or sub-element contains a serious problem(s) for which the contractor's corrective actions appear or were ineffective.	To justify an Unsatisfactory rating, identify multiple significant events in each category that the contractor had trouble overcoming and state how it impacted the Government. A singular problem, however, could be of such serious magnitude that it alone constitutes an unsatisfactory rating. An Unsatisfactory rating should be supported by referencing the management tools used to notify the contractor of the contractual deficiencies (e.g., management, quality, safety, or environmental deficiency reports, or letters).

NOTE 1: Plus or minus signs may be used to indicate an improving (+) or worsening (-) trend insufficient to change the assessment status.

NOTE 2: N/A (not applicable) should be used if the ratings are not going to be applied to a particular area for evaluation.